BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON ENERGY AND AIR QUALITY

TESTIMONY OF THE HONORABLE DONALD L. MASON
COMMISSIONER, PUBLIC UTILITIES COMMISSION OF OHIO
ON BEHALF OF THE
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

ON

"Natural Gas and Heating Oil for American Homes"

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Summary of Remarks by
The Honorable Donald L. Mason
National Association of Regulatory Utility Commissioners
Before the
U.S. House of Representatives
Energy and Commerce Committee, Subcommittee on Energy and Air Quality

- NARUC believes that any Federal policy on natural gas will be sustainable only if that policy includes "the triad" of: conservation and efficiency; increasing supply; and diversification of energy sources.

- Successful Federal policy must respect and preserve the States' traditional roles in regulating distribution systems, planning, siting approval, reliability assurance, and consumer protection.

- Congress should encourage domestic exploration and production of new natural gas supplies, and expansion of natural gas transmission and delivery infrastructure, in an environmentally sound manner at reasonable costs, but should avoid an over-reliance on natural gas for new electric generation.

- Congress should invest in natural gas infrastructure R&D, and DOE should improve information-sharing with State and regional government entities.

- Congress should facilitate diversification, conservation and efficiency as integral parts of any policy to improve the nation's natural gas situation. Increasing domestic supply alone is not a logical or sustainable solution for energy security.

- Congress should continue to enact legislation providing for federal tax credits for cost-effective energy efficiency investments in residential and commercial buildings and the extension, expansion, and increasing the Renewable Energy Production Tax Credit as two measures to help reduce demand for natural gas.

- Congress should enact legislation to invest federal royalty revenue received from gas production on federal land, up to a maximum of $150 million, in an expanded research program on gas supply and delivery.

- Congress should foster the policies that encourage development of balanced natural gas portfolios, including elements of on-system and off-system gas storage, as well as an adequate natural gas pipeline and distribution system. This could benefit consumers by providing greater price certainty.

- In Ohio, the Public Utilities Commission issued an order directing utilities to reconnect gas and electricity customers who had been disconnected from last years high energy prices, provided they continue to make partial payments.

- PUCs should strongly encourage consumers to take advantage of budget billing so that payments are spread over 12 months

- PUCs should consider abandoning the traditional regulatory structure and implementing a demand side management programs in conjunction with a decoupling of rates from throughput movement of natural gas.

- PUCs should encourage the use of financial hedges by LDCs.

Good Afternoon Mr. Chairman and Members of the Subcommittee.

I am Donald L. Mason, a commissioner at the Public Utilities Commission of Ohio (PUCO). I have served in that capacity since 1998. I also serve as the Chair of the Committee on Gas for the National Association of Regulatory Utility Commissioners (NARUC). As Chairman of the NARUC Committee that focuses directly on some of the issues that are the subject of today's hearing, I am testifying today on behalf of that organization. In addition, my testimony reflects my own views and those of the PUCO. On behalf of NARUC and the PUCO, I very much appreciate the opportunity to appear before you this morning. The issues that you are addressing in this oversight hearing are very important to NARUC's membership and the natural gas consumers in my State, and I am grateful to have this opportunity to present our views on the nation's supply and demand for natural gas.

NARUC is a quasi-governmental, non-profit organization founded in 1889. Its membership includes the State public utility commissions serving all States and territories. NARUC's mission is to serve the public interest by improving the quality and effectiveness of public utility regulation. NARUC's members regulate the retail rates and services of electric, gas, water, and telephone utilities. We are obligated under the laws of our respective States to ensure the establishment and maintenance of such utility services as may be required by the public convenience and necessity and to ensure that such

services are provided under rates and subject to terms and conditions of service that are just, reasonable, and non-discriminatory.

Today, I will cover a variety of areas ranging from encouraging additional domestic production, to increasing conservation efforts and personal finance. I will be covering some of these issues in a generic national overview and some of these issues will be addressed specifically from an Ohio perspective.

NARUC believes that any Federal policy on natural gas will be sustainable only if that policy includes "the triad" of: conservation and efficiency; increasing supply; and diversification of energy sources. Any policy must include all three dimensions or the goal of energy security will not be met. In addition, any successful Federal policy must respect and preserve the States' traditional roles in regulating distribution systems, planning, siting approval, reliability assurance, and consumer protection.

Increasing Domestic Natural Gas Supply

Natural gas is an important North American commodity, and the availability of abundant supplies of natural gas is a critical part of the energy security of the United States. The United States Congress, through enactment of the Natural Gas Policy Act of 1978, implemented phased-in decontrol of gas prices at the wellhead; and through the Natural Gas Wellhead Decontrol Act of 1989, eliminated wellhead price controls for sales of natural gas. The result was a decrease in natural gas prices that lasted many years. Recent

increases in natural gas prices are, in part, a result of a substantial increase in demand for natural gas, especially in the electric generation and industrial sectors of the economy, coupled with a less than corresponding increase in supplies. This rise in natural gas prices is a cause for concern to all industry participants, including producers, suppliers, marketers, and especially consumers.

Technological advances have improved the economics of natural gas exploration and production activities. New domestic natural gas production should improve supply reliability, and therefore, government policies that foster increased supplies of natural gas could benefit consumers by exerting downward pressure on natural gas prices. Substantial volumes of natural gas may lie beneath lands that are not available for exploration and production because of economic reasons or land-use policies and restrictions.

NARUC believes that increasing domestic supplies of natural gas requires the coordination and cooperation of both State and Federal governments. NARUC has encouraged State Public Utility Commissions (PUCs) to support environmentally sound natural gas exploration and production activities and to communicate that support to their State legislators, executive branch officials, and U.S. Congressional delegations. NARUC supports the need for Federal legislation that institutes a comprehensive national energy policy that recognizes and encourages environmentally sound development and production of new domestic natural gas supplies where appropriate.

The nation possesses large untapped deposits of both oil and natural gas in the State and Federal waters of the Atlantic and Pacific Oceans and Gulf of Mexico. If developed, these deposits could increase energy supplies and thereby both mitigate rising energy prices and reduce our nation's dependence on foreign energy sources. Regulatory and tax barriers currently exist that inhibit offshore oil and natural gas exploration and production in the United States. NARUC recognizes the particular concerns of States affected by offshore drilling and NARUC encourages Federal policy makers to:

1. Consider removing existing moratoriums to oil and gas exploration and production in both State and Federal coastal waters off the coast of the States *that agree* to such removal, while also urging State and Federal policy makers to ensure that offshore oil and gas production practices are environmentally sound.

2. Consider expanding State boundaries seaward from the current three miles and giving each State the right to control all resource development within their expanded boundary.

3. Consider providing enhanced royalties to States that choose to allow new production off their shores, thereby providing a significant new revenue source for coastal States.

4. Encourage domestic exploration and production of new natural gas supplies and expansion of natural gas transmission and delivery infrastructure in an

environmentally sound manner at reasonable costs, but avoid an over-reliance on natural gas for new electric generation.

Liquefied Natural Gas (LNG)

Because of changes in the costs of producing gas from domestic resources, the United States and North America will turn increasingly to imported LNG to sustain gas markets. LNG offers access to an additional option for a source of supply as an alternative to increasingly more costly domestic production. Domestic growth in gas consumption is being driven, in part, by the use of gas for power generation. Without LNG, gas and electricity prices can be expected to increase.

With over 40 LNG import facilities announced or proposed, there is great concern and debate about the effect of LNG on gas markets, public safety and the environment. State PUCs have a key role in this conversation and in the decision making on individual LNG facilities as well as on purchases of LNG by the Local Distribution Companies (LDC) they regulate.

Both Federal and State governments have roles in approving the construction and operation of LNG facilities. Additionally, State and Local permitting are necessary for most proposed LNG projects. The ambiguities created by this overlap of authorities have contributed, in part, to LNG siting difficulties and controversies. There has not been a case to date where FERC has approved a project over Local and State objections – indeed,

FERC's pre-filing approach to LNG certification encourages the resolution of differences early in the process.

Safety concerns have attracted the most attention in individual LNG siting controversies. The long record of safe operations by the LNG industry reflects purposeful decisions to implement conservative design standards and operational safety procedures. Recent technical disagreements about the adequacy of current regulations governing LNG safety center on three questions: whether the studies of LNG accidents to date adequately take into account terrorist capabilities; whether the models used to measure the effects of LNG accidents are adequate; and whether LNG facilities should be sited remotely. These issues are still under discussion and no final resolution has been reached.

There are currently concerns about whether gas supplies from domestic production will be adequate to meet projected increases in demand for natural gas. In response many developers of LNG have proposed building regasification terminals in North America to help bridge the potential supply gap. In order for new LNG terminals to be expeditiously approved and in service, cooperation in the permitting process between Local, State and Federal authorities is essential. NARUC recognizes that LNG is an important future source of energy for the United States and encourages coordination among State agencies that oversee permitting for regasification, and between Local, State and Federal government agencies, in order to facilitate and streamline regasification terminal permitting. Additionally, NARUC encourages States to hold public hearings to educate consumers and stakeholders on the safety issues, costs, and benefits of LNG.

The economics of the LNG trade are dominated by the large investment in capital equipment necessary to liquefy the gas, transport and re-gasify the LNG. As such, the industry is dominated by large international energy companies, state oil and gas companies, and trading houses. The web of contract commitments among these firms is designed to ensure security of both supply and markets and to cover large investments. A characteristic of the LNG contracts has been long-term contracts with take-or-pay provisions. This is not unlike the contracting practices that dominated the U.S. gas industry while it was under development. Trends underway in the LNG trade suggest a more flexible system and a growth of spot-type trading, yet long-term contracting will remain a backbone element of the industry.

In September 2003, then Secretary of Energy Spencer Abraham announced the Department of Energy/NARUC Liquefied Natural Gas (LNG) Partnership as a means to assist in the education and outreach of critical energy decision-makers on the opportunities as well as the impediments related to the increased development of LNG Resources. The LNG Partnership sponsored two reports: an LNG white paper for State public utility commissioners and a model communication plan for State officials. The purpose of the white paper is to provide an overview of LNG policy issues facing State public utility commissions, State environmental officials and State legislators. The model communication plan is intended for State officials that have determined that building or expanding an LNG facility is in the best interest of the ratepayers. A critical goal of the communication plan includes encouraging better stakeholder involvement (and early

resolution of stakeholder issues) in relation to LNG facility siting and operation. You may access both of these documents on the NARUC website at:

http://www.naruc.org/displaycommon.cfm?an=1&subarticlenbr=313

Natural Gas Infrastructure

U.S. demand for natural gas is projected to increase by 50% or more during the next 20 years, including significant growth in the use of natural gas for electric power generation. The expected increase in demand for natural gas will necessitate construction of significant amounts of new distribution pipeline capacity, as well as investment in gas utility facilities, operational and maintenance changes, additional storage capacity and upgrading ability to serve changing load profiles. (Even before the terrorist attacks of September 11, 2001, the National Petroleum Council estimated that the natural gas distribution utilities will need to invest $100 billion to upgrade and expand their systems over the next two decades.)

With regard to pipeline activity, NARUC is pleased that the 108th Congress began the process to efficiently transport Alaska North Slope gas to domestic markets by passing legislation to encourage construction of a pipeline. Such a pipeline can free stranded Alaska North Slope gas reserves by linking those reserves to the Lower 48 natural gas transportation and distribution grid. However, this is only a first step.

To ensure that the nation's gas distribution system is adequate in the future, NARUC supports Congressional legislation establishing an R&D funding program for gas distribution utilities to ensure essential research for distribution delivery systems in the amount of approximately $65 million per year. Additionally, NARUC has similar R&D funding concerns for other energy sectors.

Annual funding would be collected through a legislatively designed, volumetric or per-therm equivalent charge designed to collect approximately $1 per year from residential customers, with a cap of approximately $250 per year for very-large-volume customers. Funds collected for this research would be directed by a governing body and would be focused on improving gas system reliability and integrity; enhanced health, safety and environment; and reduced operating and maintenance costs for local natural gas distribution companies. Funds would not be dedicated to end-use applications so that the research program's efforts would be devoted entirely to enhancing distribution service operations as demand for those services continues to increase.

NARUC believes that security of existing and new facilities is a vital component to improving and increasing the nation's natural gas delivery infrastructure. Individual utility services do not function without support from other industry sectors and are therefore interdependent. Due to this interdependency, a disruption or outage in one utility sector can have a profound impact on other critical services, including information systems, healthcare, national defense, finance, shipping, and manufacturing. The vast majority of the Nation's utilities and services are owned and operated by the private sector, and these

businesses continue to develop, implement and update response and recovery plans for all critical service elements, including business continuity and contingency plans. Robust response and recovery plans must be applied to our Nation's critical infrastructures so that each sector has a recovery plan that clearly defines sector responsibilities, articulates interdependencies and provides for communications with other critical sectors, as appropriate.

NARUC strongly recommends that the States participate in private/public and cross-sector collaborative efforts that promote the Nation's economic stability, national security and infrastructure integrity. Further ensuring the security and reliability of the Nation's critical infrastructures is of the highest public interest due to the risk of terrorism, as well as other natural and technological hazards. NARUC has formed the Ad Hoc Committee on Critical Infrastructure to identify the appropriate role(s) of regulatory commissions with respect to the security of the Nation's electric, natural gas, petroleum, water and telecommunications infrastructure. NARUC has strongly encouraged coordinated security efforts by Federal, State and Local authorities.

NARUC recommends that State Commissions address the matter of how critical infrastructure or systems are being protected, how this protection is being financed and sensitive information is protected from disclosure. To accomplish this goal, NARUC member Commissions initiated a dialogue in 2004 with stakeholders to address these issues. NARUC urges the U.S. Department of Energy, the U.S. Department of Homeland Security, the Federal Energy Regulatory Commission, the Federal Communications

Commission, Environmental Protection Agency and other key Federal agencies to support State actions by providing assistance and guidance in protection of critical infrastructure.

DOE should establish a single point of contact, either an office or an individual, in the event of a disruption or emergency. NARUC recommends that DOE work with NARUC, the National Association of State Energy Officials (NASEO), other State level stakeholders, and industry to develop communication protocols where States would identify contacts in State government, by fuel type, and set up an internal State level communication mechanism which would be supported by DOE in order to assure that information is rapidly shared with key participants and to avoid misinterpretation of information. Existing, not new, industry/government information sharing efforts should provide the foundation for this exchange of information. NARUC urges assistance with regional coordination and exercises to avoid one State taking action contrary to actions taken by others and to ensure federal/regional/State and industry coordination.

NARUC encourages DOE to assist in developing State and regional models on critical infrastructure policies and practices that will focus on various approaches for meeting States' needs on items such as information disclosure, cost recovery and prudence of investments, emergency natural gas allocations, and to assist with dissemination of this information to States. NARUC supports DOE-sponsorship of meetings to examine the outlook for energy supply for the summer and winter as an opportunity for States to meet with DOE and the industry to discuss the potential for supply disruptions and actions to mitigate the risk.

Mr. Chairman, due to the effects of Katrina and Rita on the natural gas infrastructure, I have concerns that the national infrastructure will not be 100 % reliable in serving all the natural gas needs this winter 24 hours a day 7 days a week as is necessary. I encourage the appropriate officials at the Federal and State levels of government to consider temporary environmental air quality waivers in selective States to encourage the use coal in lieu of natural gas for electricity generation. Such a move would allow more natural gas for home heating and reduce the price to residential consumers.

Additionally, I believe that port authorities and federal officials should consider temporary measures to increase the delivery of LNG to coastal terminals. There are bottlenecks at the delivery level meant to provide additional measures of security and safety. I believe it would be prudent to inquire, investigate and possibly implement any measure that could deliver additional supplies of LNG. Of course, this should be done consistent with all the appropriate safeguards and security measures that the US Coast Guard and other agencies have instituted.

Efficiency, Conservation and Diversification

NARUC believes that increased use of alternative energy sources that minimize the environmental impacts of energy generation, delivery and use coupled with increases in efficiency can play a part in any effort to remedy the environmental challenges of

increased gas supply. If we need less gas, we would be able to reduce the expansion of gas production, and likewise limit the associated environmental challenges.

Conservation and efficiency must both be integral parts of any policy to improve the nation's natural gas situation. NARUC does not believe that increasing domestic supply alone is a logical or sustainable solution for energy security. NARUC believes that State and Federal regulatory commissions should revisit, review and reconsider the level of support and incentives for existing gas and electric utility programs designed to promote and aggressively implement cost-effective conservation, energy efficiency, weatherization, and demand response in both gas and electricity markets. We recognize that the best approach towards promoting gas energy efficiency programs and electric energy efficiency programs for any single utility, State or region may likely depend on local issues, preferences and conditions.

The National Petroleum Council (NPC), in its September 25, 2003, report on *Balancing Natural Gas Policy – Fueling the Demands of a Growing Economy*, also found that greater energy efficiency and conservation are vital near-term and long-term mechanisms for moderating price levels and reducing volatility and recommended all sectors of the economy work toward improving demand flexibility and efficiency. The NPC, in its report, identified key elements of the effort to maintain and continue improvements in the efficient use of electricity and natural gas, including (but not limited to):

1. Enhanced and expanded public education programs for energy conservation, efficiency, and weatherization,

2. DOE identification of best practices utilized by States for low-income weatherization programs and encouragement of nation-wide adoption of these practices,

3. A review and upgrade of the energy efficiency standards for buildings and appliances (to reflect current technology and relevant life-cycle cost analyses) to ensure these standards remain valid under potentially higher energy prices,

4. Promotion of the use of high-efficiency consumer products including advanced building materials, Energy Star appliances, energy "smart" metering and information control devices,

5. On-peak electricity conservation to minimize the use of gas-fired electric generating plants, and

6. Clear natural gas and power price signals

Further, the American Council for an Energy-Efficient Economy (ACEEE), the Natural Resources Defense Council (NRDC), and the American Gas Association (AGA) have

adopted a Joint Statement noting that traditional rate structures often act as disincentives for natural gas utilities to aggressively encourage their customers to use less gas. Therefore, the NRDC, AGA, and the ACEEE have urged public utility commissions to align the interests of consumers, utility shareholders, and society as a whole by encouraging conservation. Among the mechanisms supported by these groups are the use of automatic rate true-ups to ensure that a utility's opportunity to recover authorized fixed costs is not held hostage to fluctuations in retail gas sales.

NARUC has encouraged State commissions and other policy makers to support the expansion of natural gas energy efficiency programs and electric energy efficiency programs, including those designed to promote consumer education, weatherization, and the use of high-efficiency appliances, where economic, and to address regulatory incentives to address inefficient use of gas and electricity. NARUC has also supported State and Federal policy makers efforts to: (i) review and upgrade the energy efficiency standards for buildings and appliances, where economic, and to ensure these standards remain valid under potentially higher energy prices, and (ii) promote the use of high-efficiency consumer products, where economic, including advanced building materials, Energy Star appliances, and energy "smart" metering and information control devices.

NARUC has urged DOE to expeditiously promulgate and implement new national standards for commercial air conditioners, heat pumps, residential furnaces and boilers, and electric distribution transformers so as to achieve the greatest level of cost-effective energy savings. We have also encouraged DOE to establish an updated national standard

for residential furnaces and boilers that takes into account both the equipment's electricity use and its fossil fuel consumption, and to establish a voluntary standard more stringent than the national minimum standard that is designed to be cost-effective in cold climates and which cold-weather States could elect to implement in place of the national minimum.

History has taught us the economic and environmental risk of over-reliance on a single source of fuel for new electric generating capacity. Since the early 1990s, new electric generating facilities have been predominately gas-fired. According to the Energy Information Administration, of the capacity added to the electric power grid in the United States between 2000 and 2004, over 90 percent was gas-fired, and over the next several years, most of the new electric generating facilities that will become operational also will be gas-fired. This has led many regions of the country to significantly increase their dependence on natural gas for electric generation.

While natural gas-based generation technologies have made significant advances in efficiency and environmental performance, and are a necessary part of the overall generation mix, natural gas prices have continued to climb, relative to price levels in the 1990s, and are expected to continue to reflect a tight natural gas market over the next several years. Fuel diversity, therefore, is increasingly being advocated by industry stakeholders and policy makers as desirable for resource planning in the electric industry.

The choice of fuel mix for electric generation, takes into account several factors, including long-term economic costs, environmental effects, power system reliability, and price

volatility. However, market incentives alone would be unlikely to achieve the most reliable long-term fuel mix for electric generation. Evidence from various studies sponsored by both government and industry, including the September 2003 National Petroleum Council study requested by the Secretary Abraham, has shown the decline in recent years of gas-fired generating facilities with dual-fuel capability. At the same time, these same studies have also shown the economic benefits of gas-fired generating facilities with dual-fuel capability, including the dampening of both electricity prices and natural-gas demand during peak periods.

These studies have identified the need to consider the use of alternative fuels in the electric generation industry, in order to provide for a balanced fuel mix. They have also identified the important role that State commissions can play in affecting the capabilities of new gas-fired generating facilities, when considering building with dual-fuel capability or considering the ability of existing gas-fired generating facilities, to switch to an alternate fuel where economic. NARUC encourages State commissions and other policy makers to support the concept of fuel diversity for electric generation. NARUC recognizes that the appropriate diversity of fuel sources for electric generation for any single utility or region likely depends on local issues, preferences and conditions. Additionally, NARUC urges Congress or the Administration to increase the efficiency for licensing and relicensing processes of hydroelectric and nuclear facilities, without compromising substantive environmental and safety standards.

An Ohio Perspective

In my State of Ohio we are concerned, as is this Congress, about the effects of energy prices on our consumers, our State economy, our regional economy, and our national economy, and we have taken some actions that we hope will help the consumers of our State through this difficult time.

In Ohio, the Public Utilities Commission issued an order directing utilities to reconnect gas and electricity customers who had been disconnected from last years high energy prices. As long as those customers continue to make payments toward the last years balances, they can not be disconnected. Our objective is to ensure that customers are not disconnected during the winter months.

We strongly encourage our consumers to take advantage of budget billing so that payments are spread over 12 months. However, this means that our utility commission must work with Local Distribution Companies (LDCs) on carry costs associated with the LDC holding the balances. Additionally, we instituted a bad debt rider whereby the uncollectible accrued of the previous quarter are placed into a rider for purpose of spreading the uncollectible costs over all gas consumer customers.

Presently, the PUCO is in discussions with one local gas company regarding abandoning the traditional regulatory structure and implementing a demand side management program in conjunction with a decoupling of rates from throughput movement of natural gas. This will better enable the company, the PUCO, and the State's Consumer's Counsel to work

together on reducing customer demand. The result would be that the LDC would not make more money just because customers used more natural gas.

Legislators in Ohio are preparing to introduce bills which would encourage the timely review of proposals to explore for and develop mineral interest on our under State properties. One proposal is considering creating a board to review such proposals.

In Ohio, as in many other States, the national gas distribution is unbundled from the supplying of the natural gas. As a result, marketers in the State are providing natural gas to consumers, including fixed rate contracts.

The Public Utilities Commission of Ohio began in 2001 to encourage the use of financial hedges by LDCs. The best example of success has resulted in a $3.00 /mcf savings to customers in the Dayton area (Vectren of Ohio). The benefits derived from hedging and long term fixed contracts are evident as the price of natural gas increases in the market place. In the case of Vectren Energy Delivery of Ohio (VEDO), the Company has committed to a hedging program in which 75% of its winter volumes are known/locked in prior to November 1st. VEDO is able to locked in 75% of its winter volumes through a combination of hedged prices (locking in future prices in forward months) and contractual storage, where the gas is injected into storage in the non-winter months (April to October) and then withdrawn during the winter months (November to March). VEDO has a near equal split of winter volumes between hedging and contractual storage.

Pike, Eastern and Southeastern Natural Gas Companies (Companies) presented to the PUCO in 2001, a fully hedged program in which all volumes were known/locked in

advance of delivery, which allowed the Companies to offer to its customers fixed burner-tip commodity pricing. The Companies utilized an asset manager who managed the Companies pipeline entitlements and secured fixed commodity pricing through the use of NYMEX strips and straddle provisions. Additionally, a holding company of small rural LDCs used fixed rate contracts which benefited consumers by providing a gas costs recovery of under $10.00 a mcf.

Though not Ohio specific, the NARUC Committee on Gas, on which I serve as Chair, has adopted resolutions at past meetings encouraging utility commissions to work with local gas companies to determine the proper hedging strategy for each. In addition, NARUC and the Interstate Oil and Gas Compact Commission (IOGCC) cooperated in creating a task force for the purpose of exploring whether long term contracts as a supply strategy would benefit consumers. After taking comments from interested parties, holding a workshop and reviewing filed comments, the task force issued a report which is attached to my testimony. The Task Force is encouraging PSC/PUCs to work with LDCs in understanding and implementing the proper contracting strategy for their respective needs.

Finally, for your information and review, I have attached a joint letter, to which NARUC was a signatory, regarding energy emergency appropriations that was sent on September 15, 2005, in anticipation of high winter energy costs.

Mr. Chairman, and members of the Subcommittee, thank you for your time and attention. I look forward to answering any questions you may have.